

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN SA 02885 201926Z

ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 L-03

/057 W

-----016277 201932Z /44

P R 201805Z JUN 77

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 4649

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN SALVADOR 2885

E.O. 11652: N/A

TAS: EINV, ECON, ES, US

SUBJECT: DRAFT INSURANCE WW SURFACES

REFS: (X) SAN SALVADOR 3777 (B) SAN SALVADOR 3914

(C) SAN SALVADOR 4211 (1976)

1. DRAFT INSURANCE LAW HAS MOVED FROM MINISTRY OF ECONOMY TO OFFICE OF PRESIDENCY FOR FINAL APPROVAL AND TRANSMITTAL TO ASSEMBLY. NEWSPAPER ACCOUNTS OF DRAFT, FROM MINECON SOURCES, STRSSED PROVISIONS EXCLUDING FOREIGN INSURANCE FIRMS FROM LOCAL MARKET AND EFFECT OF LAW IN PROTECTING SALVADORAN COMPANIES. PROVISIONS OF LATEST (AND PRESUMABLY FINAL) DRAFT STILLINXCLUDE FOREIGN COMPANIES BUT CONTAIN SOME PROVISIONS FOR CURRENTLY OPERATING FIRMS.

2. PROVISIONS OF DRAFT AFFECTING FOREIGN FIRMS ARE AS FOLLOWS: ART. 13 REQUIRES AT LEAST 80 PERCENT EQUITY OF INSURANCE COMPANIES OPERATING IN EL SALVADOR TO BE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN SA 02885 201926Z

OWNED BY ENTITIES OF SALVADORAN OR CENTRAL AMERICAN NATIONALITY. ART. 88 PROVIDES SALVADORAN FIRMS NOT MEETING REQUIREMENTS OF ART. 13 AT TIME LAW GOES INTO EFFECT 5 YEARS TO COMPLY. BOTH OF THESE PROVISIONS WERE PRESENT IN EARLIER DRAFTS. ART. 91 CONTAINS MAJOR CHANGE WHICH APPEARS TO ADVERSELY AFFECT INTERESTS OF ONE US COMPANY. FOLLOWING IS UNOFFICIAL TRANSLATION:

"ART. 91. AGENCIES OR BRANCHES OF FOREIGN INSURANCE ENTITIES NOW OPERATING IN THE COUNTRY MAY CONTINUE DEALING IN INSURANCE POLICIES SUBJECT TO THE FOLLOWING DISPOSITIONS:

"WITHIN SIX MONTHS OF THE DATE OF EFFECT OF THIS LAWQN THEY MUST INDICATE TO THE MINISTRY IF THEY ARE GOING TO FORM A SALVADORAN COMPANY OR IF THEY WILL RETIRE FROM THE COUNTRY.

"IF THE OPTION IS FOR THE FIRST, THE MINISTRY WILL SET A DEADLINE FOR THE PRESENTATION OF THE INSTRUMENTS NAOF ASSOCIATION OF THE COMPANY, WHICH MUST MEET THE REQUIREMENTS AND FOLLOW THE PROCEDURES OF TITLE II OF THIS LAW, WITH THE EXCEPTION OF THAT CONCERNING THE OWNERSHIP OF THE SHARES, OF WHICH UP TO 80 PERCENT MAY BE HELD BY THE SAID ENTITIES, BUT WHICH SHALL ONLY BE TRANSFERIBLE TO PERSONS WHO, IN CONFORMITY WITH ART. 13 OF THIS LAW, MAY BE OWNERS OF THE SAME. IN ORDER TO FUND THSES SHARES, THEY MAY UTILIZE THE FUNDS WHICH THEY HAVE IN THE COUNTRY.

"THOSE WHICH DO NOT TAKE THE ABOVE OPTION, AND WHICH INDICATE THAT THEY WILL RETIRE FROM THE COUNTRY OR WILL NOT FORM A SALVADORAN COMPANY WITHIN THE DEADLINE SET BY THE MINISTRY, MAY NOT TRANSACT ANY FURTHER BUSINESS IN INSURANCE, BUT REMAIN OBLIGED TO MAINTAIN IN THE COUNTRY A SUFFICIENT CAPITAL TO GUARANTEE THEIR PENDING OBLI- LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN SA 02885 201926Z

GATIONS AND THOSE DERIVED FROM THEIR CONTRACTS, AND AN OFFICE TO ATTEND TO THEIR CLIENTS AND TO PAY AND MEET ALL OBLIGATIONS CONTRACTED IN THE COUNTRY AND DERIVED FROM THEIR BUSINESS. THE BRANCHES OF FOREIGN MUTUAL LIFE INSURANCE ENTITIES WILL HAVE THE SAME OBLIGATIONS EVEN WHEN THEY FORM A SALVADORAN COMPANY.

"THE CERTIFICATION THAT THE COMPANY MAY INITIATE OPERATIONS IN ACCORDANCE WITH AR. 19 WILL CANCEL THE AUTHORIZATION OF THE FOREIGN BRANCH OR AGENCY TO DEAL IN INSURANCE POLICIES IN ACCORDANCE WITH THE FIRST CLAUSE OF THIS ARTICLE."

3. THE NEW PROVISIONS IN ART. 91 WOULD APPEAR TO ADVERSELY AFFECT THE INTERESTS OF THE HANOVER INSURANCE COMPANY (AMERICAN INTERNATIONAL UNDERWRITERS) WHICH CONVERTED TO A SALVADORAN FIRM AS LA SEGURIDAD SALVADORENA, S.A. WITH 80 PERCENT US EQUITY ABOUT 4 YEARS AGO. AS IT IS NO LONGER AN "AGENCY OR BRANCH" OF A FOREIGN FIRM, IT APPARENTLY WILL NOT BE ABLE TO BENEFIT FROM THE ART. 91 EXCEPTION TO THE REQUIREMENTS ON THE RATIO OF LOCAL TO FOREIGN EQUITY. PAN AMERICAN LIFE AND THE AMERICAN LIFE INSURANCE COMPANY APPEAR TO BE ALLOWED TO FORM A SALVADORAN COMPANY WITH ONLY 20 PERCENT LOCAL EQUITY.

4. I WILL SEEK A MEETING WITH ACTING FOREIGN MINISTER TO
EXPRESS AGAIN OUR CONCERN ALONG THE LINES OF REFS 1 AND 2,
POINTING OUT POSSIBLE DAMAGE TO EL SALVADOR'S IMAGE OF HOS-
PITALITY TO FOREIGN INVESTMENT AND URGING THE WISDOM OF INCLUDING
IN THE LAW FAIR PROVISIONS FOR THE OPERATION OF FOREIGN FIRMS.

LUBENSKY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE LAW
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SANS02885
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770219-1152
Format: TEL
From: SAN SALVADOR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770639/aaaabifl.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0c6ce779-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 SAN SALVADOR 3777, 77 SAN SALVADOR 3914, 77 SAN SALVADOR 4211
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2092734
Secure: OPEN
Status: NATIVE
Subject: DRAFT INSURANCE WW SURFACES
TAGS: EINV, ECON, ES, US
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0c6ce779-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009